

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
March 21, 2018

Arroyo Del Camino II, located at 801 S. Corcoran Avenue in Avenal, requested and is being recommended for a reservation of \$341,795 in annual federal tax credits to finance the new construction of 36 units of housing serving large families with rents affordable to households earning 40% - 50% of area median income (AMI). The project will be developed by Pacific West Communities, Inc. and will be located in Senate District 14 and Assembly District 32.

Project Number CA-18-716

Project Name Arroyo Del Camino II
 Site Address: 801 S. Corcoran Avenue
 Avenal, CA 93204 County: Kings
 Census Tract: 17.01

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$341,795	\$0
Recommended:	\$341,795	\$0

Applicant Information

Applicant: Avenal Pacific Associates II, a California Limited Partnership
 Contact: Caleb Roope
 Address: 430 E. State Street, Suite 100
 Eagle, ID 83616
 Phone: 208.461.0022
 Email: calebr@tpchousing.com

General Partner(s) or Principal Owner(s): TPC Holdings V, LLC
 Kaweah Management Company
 General Partner Type: Joint Venture
 Parent Company(ies): TPC Holdings V, LLC
 Kaweah Management Company
 Developer: Pacific West Communities, Inc.
 Investor/Consultant: Boston Capital
 Management Agent: Buckingham Property Management

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 5
 Total # of Units: 36
 No. / % of Low Income Units: 36 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HOME
 Utility Allowance: CUAC

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: May 1, 2018

Information

Housing Type: Large Family
 Geographic Area: Central Valley Region
 TCAC Project Analyst: Carmen Doonan

55-Year Use / Affordability: Yes.

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
50% AMI: 36	100%

Unit Mix

24 2-Bedroom Units
<u>12 3-Bedroom Units</u>
36 Total Units

<u>Unit Type & Number</u>	<u>2017 Rents Targeted % of Area Median Income</u>	<u>2017 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
12 2 Bedrooms	40%	40%	\$540
12 2 Bedrooms	50%	50%	\$675
6 3 Bedrooms	40%	40%	\$623
6 3 Bedrooms	50%	50%	\$778

TCAC-confirmed Projected Lifetime Rent Benefit: \$3,825,360

Project Cost Summary at Application

Land and Acquisition	\$230,000
Construction Costs	\$5,445,543
Rehabilitation Costs	\$0
Construction Contingency	\$270,000
Relocation	\$0
Architectural/Engineering	\$345,000
Const. Interest, Perm. Financing	\$443,100
Legal Fees, Appraisals	\$80,000
Reserves	\$161,241
Other Costs	\$554,293
Developer Fee	\$1,048,741
Commercial Costs	\$0
Total	<u>\$8,577,918</u>

Residential

Construction Cost Per Square Foot:	\$153
Per Unit Cost:	\$238,276
True Cash Per Unit Cost*:	\$209,144

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Wells Fargo Bank	\$5,000,000	Wells Fargo Bank	\$750,000
City of Avenal - HOME	\$1,933,718	City of Avenal - HOME	\$4,433,718
Deferred Cost	\$161,241	Deferred Developer Fee	\$250,000
Deferred Developer Fee	\$1,048,741	Tax Credit Equity	\$3,144,200
Tax Credit Equity	\$434,218	TOTAL	\$8,577,918

*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis:	\$8,040,349
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$10,452,454
Applicable Rate:	3.27%
Total Maximum Annual Federal Credit:	\$341,795
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,048,741
Investor/Consultant:	Boston Capital
Federal Tax Credit Factor:	\$0.91991

Per Regulation Section 10327(c)(6), the “as if vacant” land value and the existing improvement value established at application, as well as the eligible basis amount derived from those values, will be used during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits.

Per Regulation Section 10327(c)(2)(C), once established at the initial funded application, the developer fee cannot be increased, but may be decreased, in the event of a modification in basis.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$8,040,349
Actual Eligible Basis:	\$8,040,349
Unadjusted Threshold Basis Limit:	\$12,185,856
Total Adjusted Threshold Basis Limit:	\$27,091,848

Adjustments to Basis Limit

Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages

Local Development Impact Fees

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 100%

Cost Analysis and Line Item Review

Staff analysis of project costs to determine reasonableness found all fees to be within TCAC's underwriting guidelines and TCAC limitations. Annual operating expenses meet the minimum operating expenses established in the Regulations, and the project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 3.27% of the qualified basis. Applicants are cautioned to consider the expected federal rate when negotiating with investors. TCAC's financial evaluation at project completion will determine the final allocation.

Significant Information / Additional Conditions

This project is Phase II of Arroyo Del Camino, Phase I (CA-15-883) and both phases will share community facilities, services, play structure and manager's unit. Both phases are under the control of Pacific West Communities, Inc., and prior to the start of construction, a joint use agreement shall be in place. The Joint Use Agreement shall be provided in the placed in service submission.

Local Reviewing Agency

The Local Reviewing Agency, City of Avenal, has completed a site review of this project and strongly supports this project.

Standard Conditions

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee's next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

The IRS has advised TCAC that the amount of tax-exempt bonds issued, equivalent to at least 50% of aggregate basis, must remain in place through the first year of the credit period or until eligible basis is finally determined.

TCAC makes the preliminary reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project as presented will be permitted without the express approval of TCAC.

The applicant must pay TCAC a reservation fee calculated in accordance with regulation. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within TCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by TCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by TCAC in its final feasibility analysis.

CDLAC Additional Conditions: None.